

SECRET

100-16-42, 48

Mr. Andrew E. Ruddock, Director
Bureau of Retirement and Insurance
U. S. Civil Service Commission
Washington, D. C. 20415

Dear Mr. Ruddock:

This letter formalizes discussions that Mr. [] of this Office has had with you concerning the extension of certain fringe benefits of Federal employment to Agency personnel not now covered by these benefits. Specifically, it is our hope that some types of Agency personnel hired by contract may be allowed coverage under the Civil Service Retirement Act, the Federal Employees' Group Life Insurance Act, and the Federal Employees' Health Benefits Act, and this letter is our official request that such coverage be authorized.

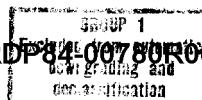
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Our request is based on the following considerations:

a. From its inception this Agency has been confronted with emergency personnel needs to fulfill its responsibilities under the National Security Act of 1947, as amended, and the Central Intelligence Agency Act of 1949, as amended. Since in most instances the duration of the emergency personnel needs is not known, we have preferred, in the interest of sound personnel management, to meet the emergency need by hiring personnel on a contract rather than by the customary appointment process.

b. We have found it both practical and economical to manage the expansion and contraction of the Agency's personnel strength that accompanies the existence and cessation of a crisis or emergency situation by separating from our cadre or permanent staff those personnel hired during an emergency under circumstances not warranting permanent tenure. If the need for services continues beyond the period initially contemplated, the contract can be renewed. When the need no longer exists, our use of the contract instrument permits an orderly termination of the individual's services.

SECRET



SECRET

c. Security considerations often dictate the means by which we hire personnel. For example, the Agency may wish to hire an individual either for a short or a long period of time. It is frequently necessary to restrict the individual's access to Agency facilities, or limit his knowledge of Agency operations, or control his access to classified information. By employing the individual by contract, the Agency is able to exercise all the controls needed. In other cases, the nature of the services to be performed or the manner in which the individual is to work, as when he has an ostensible employer, is such that the contract instrument provides a more effective way to establish with the individual his salary, allowance, and other entitlements and to provide the necessary controls to ensure that the interests of the U. S. Government are protected, e. g., tax obligations, salary set-offs, etc.

d. In hiring personnel by contract rather than by appointment, we know that we are depriving these employees of the important benefits of the Civil Service Retirement Act, Federal Employees' Group Life Insurance, and the Federal Employees' Health Benefits Act. At the same time, however, we have recognized our obligation to these employees and their families by offering through our insurance association plans of life and health insurance. Although the employee is now not left entirely without protection, our plans do not offer the substantial coverages of the statutory programs and are especially deficient in that they provide no continuation of benefits after retirement.

e. When we look at our contract employees in terms of their need for the protection and benefits offered by these statutory programs, we see no real difference between them and those of our employees who have these coverages. In many situations, we have a contract employee or a group of them, working side by side with appointed employees, and the only difference between them is the method by which they were hired. While there are important Agency considerations that create the need for the difference in employment relationship the Agency would avoid, if it had the authority to do so, any difference in these fringe benefits.

f. The difference in retirement and insurance benefits between contract and appointed employees is becoming a serious problem of personnel management in this Agency. This problem is particularly acute when our contract personnel have been on duty for several years and begin to think more seriously about their retirement years and fringe benefits or when they are serving in parts of the world facing the same hardships, perils, and risks as appointed employees. Extending the statutory retirement, life, and health benefits coverage to contract

SECRET

SECRET

employees would not only solve these critical problems facing the Agency but would also remove a serious barrier to our recruitment of individuals whose services are greatly needed but who are concerned with fringe benefits at the outset of their employment discussions with the Agency.

These are some of the reasons for our requesting that these benefits be extended to our contract personnel and the extent to which the approval of our request would provide a solution to a pressing management problem. In the event this authority can be granted, we would like now to suggest some limitations on the application of such authority:

a. Our basic concern and request for authority is for U. S. citizen or resident alien contract employees. For security reasons we are not requesting authority to extend these benefits to foreign nationals residing abroad.

b. For practical reasons of administration and simplicity of instituting coverage, it is hoped that if our request is approved, coverages can be effected upon the execution of a new contract rather than to incorporate such coverages automatically in all existing contracts.

We very much appreciate your past interest in discussing this problem with us, and it is our hope that our request may be approved. Should you wish, representatives of my office are available for further discussion or to provide you with additional information as needed.

Sincerely,

Ernest D. Echols
Director of Personnel

Distribution:

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- 1 - Gen. Counsel
- 1 - CPD
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OP/BSO/[]:bhd (19 September 1966)

SECRET

**PROPOSED CHANGE IN REGULATION TO EFFECT
COVERAGE FOR CONTRACT EMPLOYEES**

Section 831.201 (a)(5) of the retirement regulations which now excludes from the Civil Service Retirement Act¹ "employees paid on a contract or fee basis" is amended to read:

"(5) Employees paid on a contract or fee basis, except citizens and resident aliens of the United States, hereafter appointed² by a contract for personal services at a salary payable on a time basis."

1/ Similar changes will be made in FEGLI and Health Benefits regulations.

2/ When finally issued as a regulation, a specific date will be inserted. We have been assured of all the lead time needed.

SECRET

SUMMARY OF COSTS
Civil Service Retirement, Federal Employees' Group Life Insurance,
and Federal Health Benefits for Selected Contract Employees

COST OF CS RETIREMENT:

Gross Cost of CS Retirement	\$870,298
Less Agency Contribution for Social Security. . .	<u>431,297</u>
Net Cost of CS Retirement	\$439,001

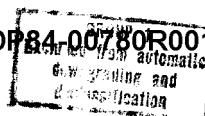
COST OF FEDERAL HEALTH BENEFITS

Gross Cost of Federal Health Insurance	\$109,542
Less Amount Agency Contributes for Contract Health Insurance	<u>60,800</u>
Net Cost of Federal Health Insurance	\$ 48,742

<u>COST OF FEGLI</u>	<u>\$ 48,827</u>
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Total Estimated First Year Cost.	<u><u>\$536,570</u></u>
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